



STATE OF UTAH INSURANCE DEPARTMENT
REPORT OF FINANCIAL EXAMINATION

of

TOTAL DENTAL ADMINISTRATORS OF UTAH, INC.

of

Salt Lake City, Utah

as of

December 31, 2019



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April 21, 2021

Honorable Jonathan T. Pike, Insurance Commissioner
Utah Insurance Department
4315 S. 2700 West, Ste. 2300
Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, an examination, as of December 31, 2019, has been made of the financial condition and business affairs of:

TOTAL DENTAL ADMINISTRATORS OF UTAH, INC.
Salt Lake City, Utah

hereinafter referred to in this report as “the Company” or “TDAUT” and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

Representatives of the Utah Insurance Department (Department) have performed a full scope, multi-state examination of the Company. This examination covers the period of January 1, 2016, through December 31, 2019, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and

evaluating management's compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following items are significant findings and recommendations for inclusion in this report:

1. The Company engages in transactions with Total Dental Administrators ("TDA"), immediate parent, to reimburse TDA for services provided and expenses paid on TDAUT's behalf. However, there is no written services agreement between TDA and TDAUT to formalize the terms of these transactions as required by Statements of Standard Accounting Practice ("SSAP") No. 25, paragraph 8, which states:

"Transactions between related parties must be in the form of a written agreement. The written agreement must provide for timely settlement of amounts owed, with a specified due date. Amounts owed to the reporting entity over ninety days from the written agreement due date shall be non-admitted, except to the extent this is specifically addressed by other statements of statutory accounting principles. If the due date is not addressed by the written agreement, any uncollected receivable is non-admitted."

Recommendation:

We recommend the Company formalize an agreement with TDA to comply with the requirements of SSAP No. 25.

Management Response:

The Company's management agrees with this recommendation and will execute a written service agreement with TDA. The agreement will include all provisions outlined in SSAP No. 25 and will be filed with the Department for approval.

2. The Company's Appointed Actuary does not present to the Board of Directors on an annual basis regarding the reserves as required by the 2019 NAIC Health Annual Statement Instructions, which state:

"The Appointed Actuary must report to the Board of Directors or the Audit Committee each year on the items within the scope of the Actuarial Opinion. The Actuarial Opinion and the Actuarial Memorandum must be made available to the Board of Directors. The minutes of the Board of Directors should indicate that the Appointed Actuary has presented such information to the Board of Directors or the Audit Committee and that the Actuarial Opinion and the Actuarial Memorandum were made available."

Recommendation:

We recommend the Appointed Actuary make an annual presentation to the Board of Directors or Audit Committee regarding the items within the scope of the Actuarial Opinion as required by the Health Annual Statement Instructions and maintain meeting minutes to document the presentation.

Management Response:

The Company's management agrees with this recommendation. The Company will communicate to the Appointed Actuary the requirement to provide an annual presentation of the Company's reserves to the Board of Directors. The Company will maintain meeting minutes to document the presentation and that the Actuarial Opinion and Actuarial Memorandum were made available to the Board of Directors.

COMPANY HISTORY

General

The Company was incorporated as Safeguard Health Plans, Inc. on June 17, 1986, and granted a certificate of authority to transact business as a limited health plan and commenced writing dental insurance on March 20, 1987.

TDA acquired Safeguard Health Plans, Inc. on August 30, 2002. The Articles of Incorporation were amended on October 28, 2002, to change the Company's name to Total Dental Administrators of Utah, Inc. The Company was granted authority to transact business in the state of Utah as a Limited Health Plan, effective October 2, 2002.

On January 31, 2011, Blue Cross Blue Shield of South Carolina ("BCBSSC") purchased TDA and its subsidiaries. BCBSSC then immediately contributed TDA and its insurance subsidiaries, which

included TDAUT, to Companion Capital Management, Inc., a wholly-owned subsidiary of BCBSSC.

Mergers and Acquisitions

No mergers and acquisitions took place during the examination period.

Dividends and Capital Contributions

No stockholder dividends were declared or paid during the examination period. There were also no capital contributions received during the examination period.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The Amended Articles of Incorporation require at least three (3) but no more than nine (9) directors. The following persons served as directors as of December 31, 2019:

Name and Location	Principal Occupation
John H. Wilbur (chair) South Carolina	President Companion Life Insurance Co.
Michael J. Mizeur South Carolina	CFO Blue Cross Blue Shield of South Carolina
Diane Fischer South Carolina	CFO & VP of Compliance Companion Life Insurance Co.
Michael D. Flock South Carolina	VP of Operations Companion Life Insurance Co.
Jeremy J. Spencer Arizona	President Total Dental Administrators

Committees

The TDAUT Board of Directors did not have any committees as of December 31, 2019, nor are committees a requirement of the TDAUT Amended Bylaws.

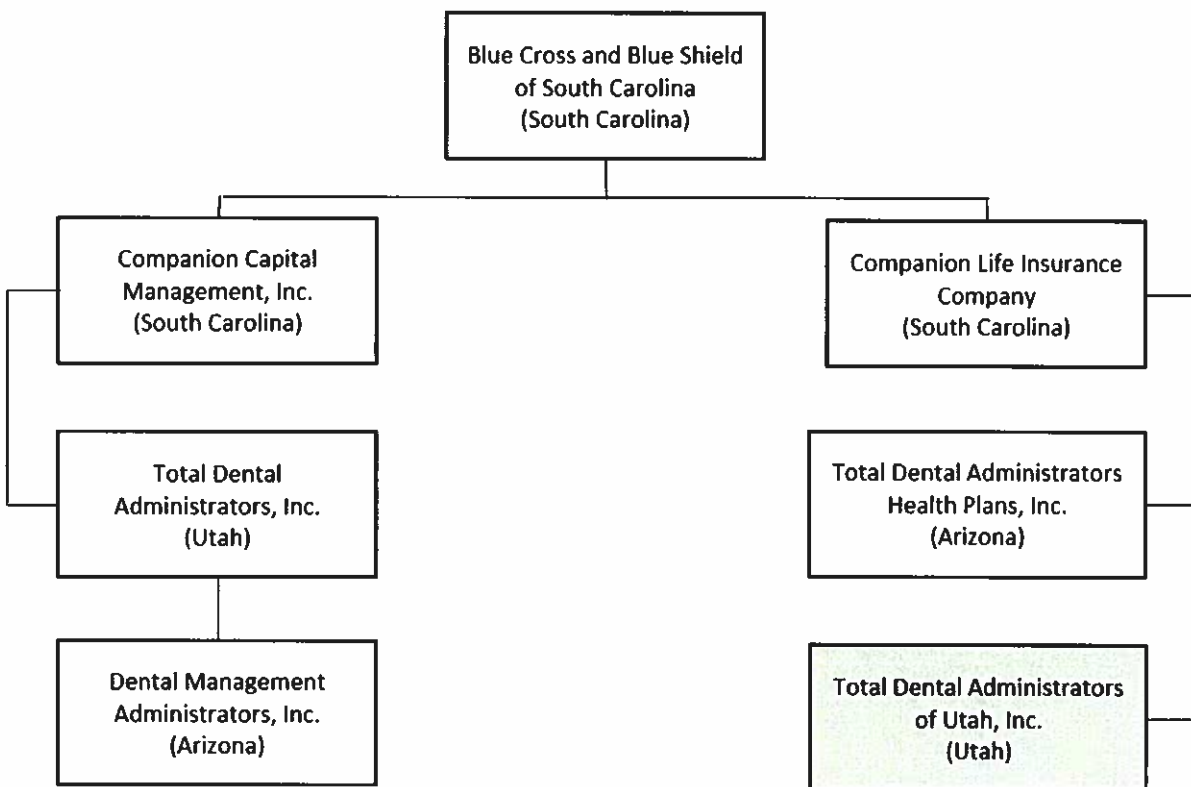
Officers

The following persons served as officers of the Company as of December 31, 2019:

Name	Title
Jeremy S. Spencer	President
John H. Wilbur	Vice President
Duncan S. McIntosh	Secretary
Michael J. Mizeur	Treasurer
Lori C. Hair	Assistant Treasurer
Jamie I. Early	Assistant Secretary

Holding Company

The Company is part of a holding company system as shown below:



Transactions and Agreements with Affiliates

The following agreements were in place as of the date of this examination report:

BCBSSC Administrative Services Agreement

The Company entered into an Administrative Services Agreement with BCBSSC, effective August 8, 2012. Under this agreement, BCBSSC will provide general administrative services which include:

- Administrative
- Compliance
- Accounting
- Underwriting
- Communications
- Claims

Costs for these services are allocated based on TDAUT's pro rata share of the services listed in the agreement, and payment is required within thirty (30) days of invoice.

TDA Administrative Services

The Company pays a percentage of rent, salary, and other administrative expenses to TDA. As noted in Finding #2 of this report, there is currently no formal agreement in place between TDA and TDAUT.

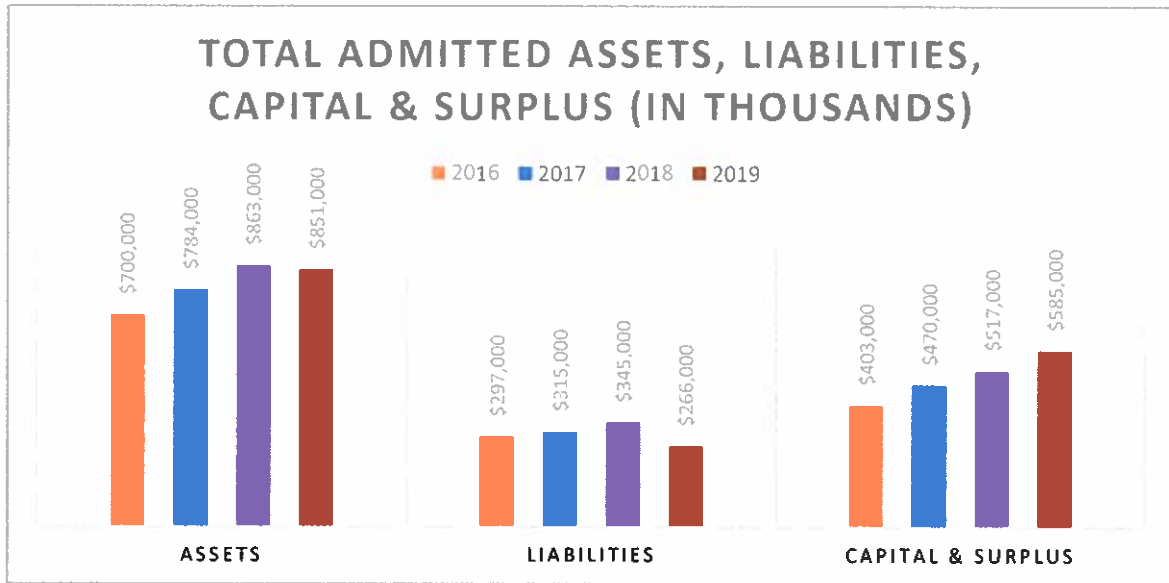
TERRITORY AND PLAN OF OPERATIONS

The Company's primary business is the offering of pre-paid individual and group dental insurance exclusively in the state of Utah. Sales are generated exclusively through authorized independent insurance agencies. No new products or distribution channels were introduced during the examination period.

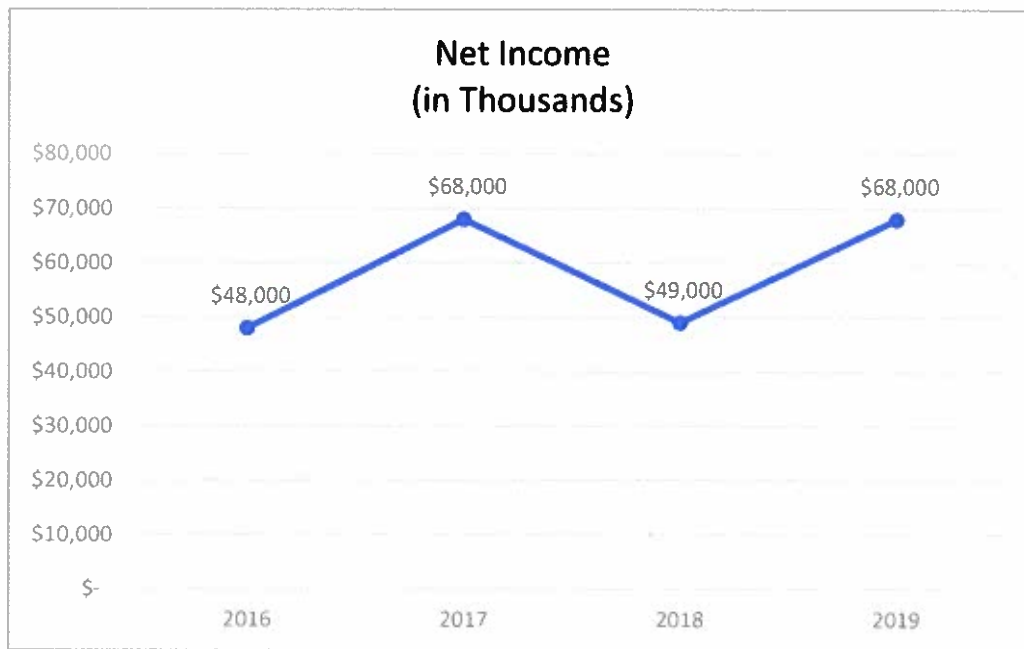
GROWTH OF COMPANY

During the examination period, the Company experienced steady growth as evidenced by year-over-year increases in assets and capital and surplus. Liabilities have remained relatively steady, but net income has fluctuated from year to year.

The following graphs illustrate the growth of the Company during the examination period:



Sources: 2016 – 2019 Annual Statements



Sources: 2016 – 2019 Annual Statements

REINSURANCE

The Company does not cede or assume reinsurance.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2019. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

TOTAL DENTAL ADMINISTRATORS OF UTAH, INC.
BALANCE SHEET

as of December 31, 2019

ASSETS

	<u>Net Admitted Assets</u>
Cash, cash equivalents and short-term investments	\$817,082
Investment income due and accrued	312
Uncollected premiums and agents' balances in the course of collection	22,585
Net deferred tax asset	3,498
Receivables from parent, subsidiaries, and affiliates	2,422
Aggregate write-ins for other-than-invested assets	5,185
Total Assets	<u>\$851,084</u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

	<u>Current Year</u>
Claims unpaid	\$ 57,084
Unpaid claim adjustment expenses	1,713
Premiums received in advance	81,344
General expenses due or accrued	94,486
Current federal and foreign income tax payable and interest thereon	3,196
Amounts withheld or retained for the account of others	1,205
Amounts due to parent, subsidiaries, and affiliates	27,354
Total Liabilities	<u>266,382</u>
Aggregate write-ins for special surplus funds	31,271
Common capital stock	1,000
Gross paid in and contributed surplus	71,168
Aggregate write-ins for other than special surplus funds	(2,352)
Unassigned funds (surplus)	483,615
Total Capital & Surplus	<u>584,702</u>
Total Liabilities, Surplus and Other Funds	<u>\$851,084</u>

TOTAL DENTAL ADMINISTRATORS OF UTAH, INC.
STATEMENT OF REVENUE AND EXPENSES
for the Year-Ended December 31, 2019

	<u>Current Year</u>
Net premium income	<u>\$1,573,272</u>
Other professional services	808,805
Claims adjustment expenses	(1,369)
General administrative expenses	<u>685,714</u>
Net underwriting gain (loss)	80,122
 Net investment income earned	 <u>5,654</u>
Net investment gain (loss)	5,654
 Net income (loss) after capital gains tax, before all other federal income taxes	 85,776
Federal and foreign income taxes incurred	<u>17,883</u>
Net income	<u>\$ 67,893</u>

TOTAL DENTAL ADMINISTRATORS OF UTAH, INC.
RECONCILIATION OF CAPITAL AND SURPLUS

2016 through 2019

	2016	2017	2018	2019
Capital and surplus, December 31, prior year	<u>\$354,210</u>	<u>\$403,227</u>	<u>\$469,607</u>	<u>\$517,370</u>
Net income	47,679	67,928	49,138	67,893
Change in net deferred income tax	303	(4,571)	(159)	(1,769)
Change in nonadmitted assets	1,035	3,023	(1,216)	1,208
Net change in capital and surplus for the year	<u>49,017</u>	<u>66,380</u>	<u>47,763</u>	<u>67,332</u>
Capital and surplus, December 31, current year	<u><u>\$403,227</u></u>	<u><u>\$469,607</u></u>	<u><u>\$517,370</u></u>	<u><u>\$584,702</u></u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to financial statements as a result of the examination.

SUBSEQUENT EVENTS

No material subsequent events were identified during the examination fieldwork.

ACKNOWLEDGEMENT

Becky Sheppard, FSA, MAAA, Actuarial Senior Associate of Risk & Regulatory Consulting, LLC, performed the actuarial review of the examination. David Hall, CPA, CISA, CITP, of Risk & Regulatory Consulting, LLC, performed the information systems review. Malis Rasmussen, MSA, CFE, SPIR, Chief Financial Examiner, and Natasha Robinson, CFE, PIR, supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

Cambria Shore

Cambria Shore, MSA, APIR
Examiner-in-Charge
Utah Insurance Department